



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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May 16, 2007

Mr. John Cowdery, President
Jones & Stokes Associates
2600 V Street
Sacramento, CA 95818

Dear Mr. Cowdery:

Final Audit Report—Jones & Stokes Associates, Master Services Agreement 4600002622

Enclosed is the final report on our audit of Jones & Stokes Associates' (JSA) Master Services Agreement 4600002622. The Department of Finance, Office of State Audits and Evaluations, performed this audit of the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13), and the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) funds in response to the Governor's directive. The audit included a review of receipts, expenditures, internal control, and compliance with certain contract provisions.

JSA complied with the fiscal requirements of the agreement, and its revenue and expenditures were fairly stated. Because there were no audit findings or issues requiring a response, we are issuing the report as final.

We appreciate JSA's assistance and cooperation with our audit. If you have any questions regarding this report, please contact Richard R. Sierra, Manager, or Dennis Mehl, Supervisor at (916) 322-2985.

Sincerely,

Original signed by:

Diana L. Ducay, Chief
Office of State Audits and Evaluations
(916) 322-2985

Enclosure

cc: Mr. Bruce Quattrone, Chief Financial Officer, Jones & Stokes Associates
Ms. Barbara Malcotte, Executive Assistant, Science Program, California Bay-Delta Authority
Mr. Ladd Lougee, Program Manager, California Bay-Delta Authority
Ms. Tabatha Gonzales, Budget Officer, California Bay-Delta Authority
Mr. Stan Bajorin, Deputy Assistant Secretary, Resources Agency

A GRANT AUDIT

Jones & Stokes Associates
Propositions 13 & 50 Bond Programs
Master Services
Agreement 4600002622
For the Period June 15, 2002
to December 31, 2006

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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In response to the Governor's directive, the Department of Finance, Office of State Audits and Evaluations, performed this audit of the Propositions 13 and 50 Bond funds awarded to Jones & Stokes Associates (JSA). The directive required the Department of Finance to audit and report on the expenditures of these funds.

The California Bay-Delta Authority (via the Department of Water Resources) awarded JSA a master services agreement (MSA) totaling \$20,000,000; of which, \$1,918,460 was funded from Proposition 13, and \$1,538,964 was funded from Proposition 50.

This agreement covers the period June 15, 2002 to June 15, 2007. We audited claimed expenditures through December 31, 2006 for the Proposition 13- and Proposition 50-funded activities only.

The objective of the audit was to determine JSA's fiscal compliance with the aforementioned agreement. We did not assess the efficiency or effectiveness of program operations or the quality of completed tasks. The responsibility for financial reporting and compliance rests with JSA.

This report is intended for the information and use of state and JSA management. However, this report is a matter of public record and its distribution is not limited.

STAFF:

Richard R. Sierra, CPA
Manager

Dennis Mehl
Supervisor

Michael Bratman

INDEPENDENT AUDITOR'S REPORT

Mr. John Cowdery, President
Jones & Stokes Associates
2600 V Street
Sacramento, CA 95818

We have audited the accompanying Jones & Stokes Associates' (JSA) *Statement of Revenue and Expenditures* (Statement) for agreement number 4600002622 for the period June 15, 2002 to December 31, 2006, as executed between JSA and the California Department of Water Resources/Bay-Delta Authority. This Statement was prepared from JSA's records and is the responsibility of its management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide reasonable assurance as to whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared, as described in Note 4, for the purpose of determining JSA's fiscal compliance with the aforementioned agreement. The Statement is not intended to be a presentation of JSA's total revenue and expenditures.

In our opinion, the *Statement of Revenue and Expenditures* present fairly, in all material respects, the claimed and audited revenue and expenditures for the agreement number and period specified in paragraph one, in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statement is free of material misstatement, we performed tests of JSA's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Generally Accepted Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered JSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of state and JSA management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

Janet I. Rosman, CPA
Assistant Chief
Office of State Audits and Evaluations

March 1, 2007

STATEMENT OF REVENUE AND EXPENDITURES

Jones & Stokes Associates
Master Services Agreement 4600002622
For the Period June 15, 2002 to December 31, 2006

	<u>Claimed</u>	<u>Audited</u>	<u>Questioned</u>
Revenue:			
Proposition 13 Funds	\$1,860,503	\$1,860,503	\$ 0
Proposition 50 Funds	<u>1,467,118</u>	<u>1,467,118</u>	<u>0</u>
Total Revenue	3,327,621	3,327,621	0
 Expenditures:			
Consulting Fees	<u>3,327,621</u>	<u>3,327,621</u>	<u>0</u>
 Excess of Revenue over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

**Jones & Stokes Associates
Master Services Agreement 4600002622
For the Period June 15, 2002 to December 31, 2006**

NOTE 1 Description of the Reporting Entity

Jones & Stokes Associates (JSA) is an environmental consulting firm that provides integrated environmental planning and natural resource management services in the western United States. JSA is headquartered in Sacramento, California; and has offices in California, Nevada, Utah, New Mexico, Oregon, Wyoming, and Washington.

NOTE 2 Program Information

In March 2000, California voters approved the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13), which authorized the State of California to sell \$1.97 billion in general obligation bonds. Proposition 13 supports safe drinking water, water quality, flood protection, and water reliability projects throughout the state.

In November 2002, California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50), which authorized the State of California to sell \$3.44 billion in general obligation bonds. Proposition 50 supports programs that secure a safe, clean, affordable, and sufficient water supply to meet the needs of California residents, farms, and businesses.

Various state agencies administer these programs, making grants to local governments, nonprofit organizations, and consulting firms.

NOTE 3 Description of Master Services Agreement 4600002622

The California Bay-Delta Authority (via the California Department of Water Resources) awarded JSA a \$20 million consulting agreement for the period June 15, 2002 to June 15, 2007. The agreement is funded by Proposition 13 (\$1,918,460), Proposition 50 (\$1,538,964), and other state funds and accounts.

Scope of Services

JSA is providing major assistance to the Bay-Delta Authority in the following areas:

- Defining the problems of the Bay-Delta system and proposing alternative solutions.
- Developing visions of restored ecosystems and recommending actions to achieve these visions.
- Preparing components of a multi-species habitat conservation plan for the entire program.
- Preparing a comprehensive handbook to guide program and project-specific regulatory compliance and permitting.
- Describing analytical tools and methods available to evaluate proposed actions.
- Preparing technical sections of environmental compliance documents.
- Planning, designing, and implementing critical restoration projects.

Reimbursement is via approval task orders. The Bay-Delta Authority is responsible for determining that task orders are satisfactorily completed prior to reimbursement.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statement was prepared from JSA's accounts and financial transactions. The Statement summarizes the Proposition 13 and 50 funded portions of JSA's recorded consulting revenue and expenditures for the aforementioned agreement, comprising task orders one through eight. The audit period runs from the agreement effective date through the most recent claim for reimbursement (as of the date of our audit). Because the agreement is still open, JSA may submit additional claims for reimbursement which the state could fund from Propositions 13 and 50. Accordingly, this report is deemed an interim audit.

The Statement summarizes JSA's transactions pertaining to this agreement only, and is not intended to represent all of its financial activity.

B. Basis of Accounting

JSA's accounts are maintained on the accrual basis and in accordance with the principles of fund accounting. Under the accrual basis, revenues are recorded when earned and expenditures are recorded at the time the liabilities are incurred.